University of Minnesota Morris Digital Well
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4-29-2013

Finance minutes 04/29/2013

Finance Committee

UMM Finance Committee
April 29, 2013

Members Present: Brad Deane, Pieranna Garavaso, Sara Haugen, Michael Korth, Dennis Stewart, Lowell Rasmussen, Laura Thielke, Tara Winchester, Timna Wyckoff, Mary Zosel.
Members Absent: Bryce Blankenfeld, Reed Olmscheid, Gwen Rudney

Guests: Bryan Herrmann, Jill Beauregard, and Colleen Miller

1. Minutes of our meeting on April 15, 2013 were approved

2. Discussion on Finances of merit-based financial aid

Agenda Item 2, Part 1: The Rising Cost

A revised worksheet "Partial Finances of Financial Aid" was handed out and Colleen clarified the lines on the spreadsheet
Section 1 are amounts found on the general ledger and are actual amounts through FY12. FY13 has not closed out yet.
Section 2 is used in modeling the budget and is not in the general ledger.
Section 4 is all funds of financial aid.

Lines 4 (Student Employment – Merit), **6** (Student Employment – Pres. Dist.), **7** (Student Employment – Pres. Dist.), **10** (Student Employment – Tuit. Adj.) **and 11** (Student Employment – High Ability) are O&M allocations used to help fund Merit Scholarships, they total in Line 17.

Line 17 is the O&M funding that has been allocated toward Merit Scholarships program and this number shows up in the general ledger.

Line 23 (from Line 35 of "Linc's Model) is the total of the UMM Merit Scholarship program based on a spreadsheet prepared by Bryan Herrmann. These are actuals.

Other funds that come from the University of Minnesota Foundation (UMF) help support the Merit scholarship. In the past, we have used UMF funds in excess of $100,000 per year. In FY14, we plan to use $200,000 of UMF funds to help pay for the Merit Scholarship program.

Question: Why do we need to take money from the contingency?
Response: We needed to cover the difference between the budgeted and the actual expenses.
Q: Will we need to continue taking money from the contingency reserve to cover deficits in the merit scholarship program in future years?
R: Depends on the number of students that accept the scholarships.
Q: Which lines are merit based scholarships?
R: Both Lines 17 & 23.
Q: What creates the difference between the two lines? Line 17 is the O&M funding that we allocated and Line 23 what we actual spent.
R: The O&M funding is set up to 18 months in advance. We handle the differences via transfers at year end. The transfer in would need to happen before the books are closed for the year. This happened in both FY11 and FY12. In both of those years, we had a greater number of students taking advantage of the scholarship programs than what was budgeted. Late instructions from the Budget Office regarding either the O&M allocation or the scholarship program can also contribute. (Late instructions regarding

the U Promise money in FY11 and rolling the U Fee into tuition in FY12 lead to changes that were not budgeted.)

Q: Tuition increases would result in increased costs for the Prairie Scholarship. Does it affect anything else?

R: FY12 enrollment – we had $115,000 more in scholarships because we had higher ability students but then we generated more tuition. But did this directly contribute? No.

Bryan: The current merit-based program started in FY09. It takes four years for the program to be fully stacked and tuition increased 7.5% in both FY10 and FY11. Tuition increased 5% in FY12 and FY12 was the year that the U Fee was "rolled" into tuition. FY12 is the first year that students began using the $2,500 stipend that is included as part of the financial aid package. The expense is incurred when students use the stipend which cannot be predicted.

Bryan: We know scholarships were going to stack but couldn't tell there would be a cut in the program
Lowell: If the ground rules don't change, we are getting better and closer to understanding the scholarship costs.

Mike: Unanticipated changes can't be planned but stacking can be planned. Rolling the U fee was unplanned but the four-year stacking should not be a cause of deficits.

Colleen: The model is projected out for years

Bryan: We don't know who will take the scholarship and retention went up for the Morris Scholarship. In addition we have the automatic scholarships

Brad: What is the retention rate for these students?

Bryan: Morris and Prairie retention is 94-95% to graduation, Achievement (Chancellors) retention is in 90% range (better than the Presidential).

Potential options available so this doesn't keep happening

- Change how the student gets the scholarship
- Drop the amounts

Agenda Item 2, Part 2: Changes in the Merit Scholarship Program

Bryan presented a description of the new scholarship program, explaining how the prior way of distributing merit scholarships was losing its effectiveness in drawing students to UMM. Consultants recommended using a new index for academic ability, establishing a maximum institutional aid that would be on top of U Promise funds, and using institutional funds more strategically.

The new index is based on ACT and GPA. The four levels of scholarship will be $6,000 (these Morris Scholarships are competitive), $4500, $3000, and $1000. (Current merit scholarship levels are $5,000, $3,500, $2,500, and $1,000.)

Agenda Item 2, Part 3: Allocation Rationale:

Questions from the agenda: On what basis can an institution decide how much financial aid is enough or how much financial aid the institution can afford? What data comparing peer institutions is available? What do students and parents use?

Bryan: It is hard to find comparison data on discount rates. NACUBO says our discount rate is 41.2% but we calculate it as 19.2%. The Native American tuition discount makes our discount seem much larger. Some small private schools have discounts rates around 44%.

We are unique because we have very high ability students and a needy student body. We basically spend what we need to in order to bring in the right students in the right numbers.